

Message Text

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PAGE 01 MONTER 00125 250142Z
ACTION ARA-14

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-11 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 /121 W
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FM AMCONSUL MONTERREY
TO SECSTATE WASHDC 3562
INFO AMEMBASSY MEXICO

LIMITED OFFICIAL USE MONTERREY 0125

E.O. 11652: N/A
TAGS: ENRG, MX
SUBJECT: GOM POLICY ON NATURAL GAS

1. GOM WILL NOT BUDGE FROM DOLLARS 2.60 EXPORT PRICE FOR NATURAL GAS, ACCORDING TO TOP EXECUTIVE FROM TUBACERO COMPANY IN MONTERREY WHICH IS SOLE MEXICAN FIRM WITH CAPACITY TO ROLL LARGE DIAMETER PIPELINE PIPE. EXECUTIVE, WHO HAS CLOSE PEMEX CONTACTS, EXPLAINED THAT MEXICO POSSESSED ALTERNATIVE TO EXPORTING THIS GAS SINCE MONTERREY AND NEIGHBORING AREAS HAVE POTENTIAL TO CONSUME ALL OF THE SOUTHERN GAS THAT A 48 INCH LINE CAN SUPPLY UNDER NATURAL PRESSURE (I.E. WITHOUT COMPRESSORS). TO ATTAIN THIS GOAL GOM WILL HAVE TO REVERSE RECENT POLICY AND START SHIFTING MONTERREY INDUSTRIES AWAY FROM CURRENT RELIANCE ON A MIX OF GAS AND HEAVY OIL TO MORE GAS-BASED FUEL ECONOMY. RESULTING SAVINGS IN HEAVY OIL COULD THEN BE EXPORTED. AT SAME TIME, GOM WILL DOUBLE TRIPPLE OR QUADRUPLE CURRENT PRICE OF LOCAL GAS (WHICH EXEC NOTED IS ABOUT ONE EIGHTH OF DOLLARS 2.60) IN A CAMPAIGN WHICH WILL BE PUBLICLY ORCHESTRATED AS A "SACRIFICE CRUSADE" IN WHICH MEXICAN CONSUMERS WILL BE EXHORTED TO FUND THE PIPELINE'S CONSTRUCTION COST THROUGH HIGHER PRICES.

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2. COMMENT: WE POSSESS TOO LITTLE HARD INFORMATION TO JUDGE WHETHER GOM HAS INDEED FORECLOSED OPTION OF SELLING GAS TO US AT PRICES DEEMED REASONABLE BY USG. BY EXTENDING VERY LARGE-DIAMETER LINE TO MONTERREY AREA, GOM APPEARS TO BE KEEPING FUTURE OPTIONS OPEN SINCE COMPRESSORS AND LOOPING COULD ALWAYS BE ADDED TO PIPELINE TO SERVE US

MARKET. IT ALSO SEEMS DOUBTFUL THAT EVEN THE CONSIDERABLE QUANTITY OF GAS WHICH MONTERREY AND NEIGHBORING AREAS CAN CONSUME WILL WHOLLY ELIMINATE NEED FOR POLITICALLY SENSITIVE FLARING OF EXCESS ASSOCIATED GAS IN THE SOUTH. MCLENDON

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Message Attributes

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